

RESPONSIVE TESTIMONY OF

JAMES W. NEELY, P.E.

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2021-88-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is James W. Neely and my business address is 220 Operation Way, Cayce, South Carolina. I am employed by Dominion Energy Services, Inc. as an Energy Market Consultant for Dominion Energy South Carolina, Inc. (“DESC” or the “Company”).

Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

A. Yes, I previously submitted Direct and Rebuttal testimony in this matter on behalf of DESC.

Q. WHAT IS THE PURPOSE OF YOUR RESPONSIVE TESTIMONY?

A. In my testimony, I respectfully respond to certain matters raised in the Independent Report on Dominion Energy South Carolina, Inc.’s 2021 Avoided Cost Proceeding prepared and submitted by London Economics

1 International, LLC on September 16, 2021 (“LEI Report”). Specifically, I am
2 responding to following recommendations made by the LEI Report:

- 3 • that the Company use a 66 MW change in capacity in its
4 calculation of avoided capacity costs (§ 4.2.2.1);
- 5 • that the Company use the EIA cost assumptions for aero-CTs
6 instead of its own actual data (§ 4.2.2.2); and
- 7 • that the Company calculate and apply a Performance Adjustment
8 Factor (“PAF”) (§ 4.2.2.3).

9
10 **100 MW VERSUS 66 MW CHANGE IN CAPACITY**

11 **Q. WHAT IS YOUR RESPONSE TO THE RECOMMENDATION THAT**
12 **THE COMPANY USE A 66 MW CHANGE IN CAPACITY FOR**
13 **CALCULATING AVOIDED CAPACITY COSTS?**

14 A. I respectfully disagree. I do not agree with the LEI Report’s
15 conclusion that “the current approach used by DESC underestimates the
16 value of capacity, and the size of the capacity change and the size of the
17 generator should be set equal to one another to correct this mismatch.” As I
18 previously pointed out in my Rebuttal Testimony, the size of the turbine
19 modeled has little relevance to the change selected to be used in the avoided
20 cost calculation. In order to avoid manipulating the calculation, it is
21 important to always use the same change in capacity.

1 I have explained in my Direct and Rebuttal Testimony previously
2 filed in this matter that PURPA provides for the use of up to 100 MW in
3 calculating the change case. The Company's avoided energy costs, avoided
4 capacity costs, and VIC calculations are all based on 100 MW. The
5 Company's calculations are entirely consistent with PURPA.

6 I further note that, with respect to its recommendations regarding cost
7 assumptions for aero-CTs and fixed operating and maintenance ("FOM")
8 expenses, the LEI Report uses the costs for a 105 MW turbine (as also
9 recommended by CCL/SACE Witness Sercy). If LEI uses the costs for a 105
10 MW turbine, either its own pricing data or EIA data, then it should have used
11 105 MW turbines to calculate avoided capacity.

12
13 **USE OF ACTUAL PRICING DATA VERSUS EIA COST ASSUMPTIONS**

14 **Q. WHAT IS YOUR RESPONSE TO THE RECOMMENDATION THAT**
15 **THE COMPANY USE EIA COST ASSUMPTIONS INSTEAD OF**
16 **ACTUAL COMPANY DATA FOR PURPOSES OF CALCULATING**
17 **AVOIDED CAPACITY COSTS?**

18 **A.** Respectfully, I do not agree. I noted in my Rebuttal Testimony the
19 reasons that the Company disagrees with this recommendation. Simply put,
20 the Company's data is informed by the prices submitted by vendors in
21 response to actual Requests for Proposal issued by the Company and, thus,

1 correctly reflect the costs that DESC would have to pay for acquiring these
2 assets. In this vein, I note that S.C. Code Ann. § 58-41-20(A) requires that
3 “rates for the purchase of energy and capacity fully and accurately reflect the
4 electric utility’s avoided costs.” (Emphasis added). The LEI Report’s
5 proposal does not “accurately reflect” DESC’s avoided costs. Moreover, the
6 Commission in Order No. 2021-429, issued in Docket No. 2019-226-E
7 regarding the Company’s Modified 2020 Integrated Resource Plan, stated
8 that “[f]uture DESC IRPs should recommend a portfolio of resources that
9 best meet the needs of the DESC system using actual bid data.” (Emphasis
10 added). The LEI Report’s proposal is not consistent with this direction by the
11 Commission or Act No. 62.

12
13 **PAF RECOMMENDATION**

14 **Q. WHAT IS YOUR RESPONSE TO THE RECOMMENDATION THAT**
15 **THE COMPANY USE A PAF FOR CALCULATING AVOIDED**
16 **CAPACITY COSTS?**

17 A. I respectfully disagree. The capacity cost calculation uses the
18 construction and FOM costs of a potential new resource that is chosen
19 because it is appropriate for estimating system capacity value. Construction
20 and FOM costs are sufficient to estimate system capacity value. A PAF that
21 artificially inflates capacity values is not needed or appropriate and violates

1 Act No. 62 and PURPA, both of which require the avoided cost calculation
2 to only include costs that will be avoided.

3
4 **Q. DOES THE LEI REPORT CORRECTLY CALCULATE THE PAF?**

5 A. Respectfully, I do not think so. The LEI Report misapplies the PAF.
6 Specifically, assuming the use of a 66 MW turbine, the correct way to apply
7 the PAF is to reduce the capacity of the 66 MW turbine to 62.8 MW ($66/1.05$)
8 in the Base and Change Case expansion plans. I note that this method of
9 applying the PAF would be consistent with the application of the solar
10 ELCC. Using this method with the EIA turbine and FOM costs applied to the
11 66 MW turbine plus continuing to use the 66 MW change in capacity yields
12 an annual capacity value of \$78.13/kW-year, not \$81.99/kW-year as
13 calculated by the LEI Report. It should also be noted that the LEI Report
14 recommends completely eliminating the solar only rate and its ELCC
15 capacity calculation, rendering unnecessary the need for a PAF to put solar
16 and CTs on an equal footing.

17
18 **Q. DO YOU HAVE ANY FURTHER REMARKS?**

19 A. Yes. I respect the work and effort supporting the LEI Report.
20 However, with respect to the three issues I have discussed above, I believe
21 that the LEI Report's recommendations violate PURPA, which requires

1 utilities to purchase power from QFs at rates “that do not exceed the utility’s
2 avoided cost.” Similarly, as I have already referenced above, S.C. Code Ann.
3 § 58-41-20(A) states that rates should “fully and accurately reflect the
4 electrical utility’s avoided costs.” I respectfully assert that adoption of the
5 LEI Report’s proposals with respect to the issues I have identified above
6 would violate these federal and state requirements.
7

8 **Q. DOES THIS CONCLUDE YOUR RESPONSIVE TESTIMONY?**

9 A. Yes.